



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 8, 2002

H.R. 3208 **Western Water Security Enhancement Act**

As ordered reported by the House Committee on Resources on November 7, 2001

SUMMARY

H.R. 3208 would authorize the appropriation of funds to implement a number of water resource programs, including the CALFED program, the Bureau of Reclamation's small reclamation projects program, and a new competitive grant program that would be administered by the Bureau of Reclamation. Assuming appropriation of the necessary sums, CBO estimates that implementing H.R. 3208 would cost \$1.9 billion over the 2002-2007 period.

A consortium of 18 federal and state agencies in California participate in the CALFED program, which is designed to increase water yield and environmental benefits, as well as improve water quality, water system reliability, water use efficiency, watershed management, water transfers, and levee protection in the San Francisco Bay and the Sacramento-San Joaquin Delta (known as the Bay-Delta watershed). Section 104 would authorize the appropriation of \$600 million over fiscal years 2002-2004 for implementation of stage I of the CALFED program. The bill also would establish a Water Security Board consisting of representatives from federal and state agencies to direct and oversee the program. CBO estimates that implementing this provision would cost \$555 million over the 2002-2007 period.

In addition, H.R. 3208 would increase the amount authorized to be appropriated for direct loans and loan guarantees under the Small Reclamation Projects Act of 1956 and would expand the pool of projects eligible to participate in this program. CBO estimates that implementing these provisions would cost \$215 million over the 2002-2007 period, subject to the appropriation of the necessary amounts.

Under this bill, the Secretary of the Interior would be authorized to establish a new competitive grant program to increase water supply and improve water quality in the Bay-Delta watershed, and in the western states where the Bureau of Reclamation operates, by constructing water management facilities, conducting research, and encouraging watershed

management. CBO estimates that implementing this program would cost about \$1 billion over the 2002-2007 period, assuming appropriation of the necessary amounts.

Finally, the bill would authorize the appropriation of \$60 million to conduct an environmental mitigation project at the Salton Sea in California, and \$2 million for a feasibility study to enlarge Willard Bay Reservoir in Utah.

H.R. 3208 would affect direct spending; therefore, pay-as-you-go procedures would apply. By allowing spending of certain recreation user fees, CBO estimates that the bill would increase direct spending by less than \$500,000 per year.

H.R. 3208 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Enactment of this legislation would benefit public agencies eligible to receive grants and other federal funds authorized by this bill. Any costs that those agencies might incur would result from conditions imposed on the receipt of federal funds, or would stem from voluntary contractual relationships with the federal government for the receipt of water supplies.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3208 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
SPENDING SUBJECT TO APPROPRIATION ^a						
Spending Under Current Law						
Estimated Authorization Level ^b	7	7	7	7	8	8
Estimated Outlays	59	64	7	7	8	8
Proposed Changes						
Estimated Authorization Level	324	750	760	565	565	560
Estimated Outlays	29	235	419	433	413	352
Spending Under H.R. 3208						
Estimated Authorization Level	331	757	767	572	573	568
Estimated Outlays	88	299	426	440	421	360

a. H.R. 3208 also would affect direct spending by less than \$500,000 per year.

b. The 2002 level is the amount appropriated for that year for Small Reclamation Projects Act loans. Estimated outlays include spending of funds provided for CALFED and Small Reclamation Projects Act loans in previous appropriations acts.

BASIS OF ESTIMATE

For this estimate, CBO assumes H.R. 3208 would be enacted early in fiscal year 2002 and that the necessary amounts would be appropriated each year. H.R. 3208 would authorize the appropriation of funds for three water resource programs, including the CALFED program, the small reclamation projects program, and a new competitive grant program. H.R. 3208 also would authorize some miscellaneous projects and would authorize the Bureau of Reclamation to spend certain recreation user fees.

Spending Subject to Appropriation

CALFED implementation. Section 104 would authorize the appropriation of \$600 million over the 2002-2004 period for implementation of the CALFED program. Although the program's authorization expired in 2000 and it has not received an appropriation of federal funds since then, it continues to spend funds appropriated in previous years. Based on information from the Bureau and local water agencies, and on historical spending of similar programs, CBO estimates that outlays to implement this provision would be about \$555 million over the 2002-2007 period, assuming appropriation of the authorized sums.

Under this bill, federal government agencies would be authorized to work cooperatively with California state agencies to carry out stage I of the CALFED implementation plan, called the Programmatic Record of Decision (signed by the Bureau of Reclamation and other federal and state agencies on May 28, 2000), to restore the ecological integrity of the Bay-Delta watershed and to ensure adequate supplies of water for the region. Stage I of the plan covers the first seven years of an anticipated 30-year implementation effort. The Bureau of Reclamation estimates that implementing stage I of the plan would cost \$8.7 billion. The plan anticipates that the federal share of this part of the program would be approximately \$2.7 billion. This amount would likely be a small fraction of the total federal cost called for by a 30-year implementation plan for the CALFED program. Under section 102, however, no funds to implement CALFED would be authorized to be appropriated after 2004 without a subsequent authorization act.

Small reclamation loan program. Section 203 would increase the authorized funding level for direct loans and loan guarantees under the Small Reclamation Projects Act (SRPA) of 1956 from \$600 million to \$1.3 billion. In addition, the bill would expand the program by eliminating the requirement that all funded projects have an irrigation component, and would allow projects in Alaska and the U.S. territories to be eligible for funding. Approximately \$350 million remains available for appropriation under the existing SRPA authorization.

Although demand for loans under this program has not been strong, CBO expects that the amendments that would be made by H.R. 3208 would provide an alternative means of funding local projects that have not been constructed because the Bureau of Reclamation has insufficient funds. In addition, CBO estimates that demand for these loans would increase because the pool of eligible projects would grow. Based on information from the Bureau of Reclamation and local water agencies, CBO estimates that implementing this modified loan program would cost \$215 million over the 2002-2007 period. For this estimate, we assume that the Bureau of Reclamation would continue to operate this loan program under the same terms now in effect. Loans that have been issued are estimated to involve a subsidy of between 25 percent and 30 percent. At that level, we estimate the expanded loan program would support an average of \$130 million of project loans per year over the next five years.

Competitive grant program. Section 105 would authorize the appropriation of \$2.6 billion over the 2002-2007 period for grants to increase water yield and water supply, and to improve water quality, water conservation and water use efficiency in the western states where the Bureau of Reclamation operates. After 2007, the bill would authorize the appropriation of \$500 million per year for this program. According to the Bureau of Reclamation, demand for existing grants exceeds the level of funding that has been appropriated. Many water projects have been authorized to be constructed, but sufficient funds to implement them have not been provided. Based on information from the Bureau of Reclamation and local water agencies, and on historical spending of similar programs such as the Environmental Protection Agency's State and Tribal Assistance Grants, CBO estimates that implementing the competitive grant program would cost about \$1 billion over the 2002-2007 period.

Miscellaneous authorizations. Section 301 would authorize the appropriation of \$60 million for activities to mitigate environmental impacts on the Salton Sea in California. Section 302 would authorize the appropriation of \$2 million to prepare a feasibility study on enlarging Willard Bay Reservoir in Utah by raising its dam. CBO estimates that implementing these provisions would cost \$62 million over the 2002-2007 period.

Direct Spending

Section 303 would allow the Bureau of Reclamation to spend recreation user fees for authorized purposes without further appropriation. The agency collects approximately \$300,000 from recreation fees each year. Currently, the spending of those fees is subject to appropriation. Based on the experience of other agencies that are authorized to spend such fees, we expect that the amount of fees that the Bureau collects would increase slightly. CBO estimates that the net increase in spending due to this provision would be less than \$500,000 per year.

PAY-AS-YOU-GO CONSIDERATIONS:

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures would be less than \$500,000 each year. For the purposes of enforcing pay-as-you-go procedures, only the effects through 2006 are counted.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3208 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize grants and loans to support projects carried out by state and local governments (including public water agencies) and Indian tribes. While the new grant funds would benefit those governments, conditions attached to the funds, including matching requirements, would entail some additional costs. For example, one provision would require that wages paid to laborers and mechanics working on projects funded by this bill conform to certain federal standards. This requirement could increase the cost of those projects. Any such costs would be voluntary, however.

Other provisions in this bill would affect the allocation of water supplies among certain western states and among water users in California who contract with the federal government for the delivery of those supplies. One such provision would require the state of California to reduce its annual use of water from the Colorado River to 4.4 million acre-feet by the year 2016. While federal law already sets California's allocation from the Colorado River to that level under some supply conditions, the Bureau currently has the authority to increase that allocation when supplies are sufficient, and has done so for several years. The language in this bill would reduce that flexibility and effectively require the Bureau to enforce the 4.4 million acre-feet limit under most conditions.

ESTIMATE PREPARED BY:

Federal Costs: Julie Middleton

Impact on State, Local, and Tribal Governments: Marge Miller

Impact on the Private Sector: Cecil McPherson

ESTIMATE APPROVED BY:

Robert A. Sunshine

Assistant Director for Budget Analysis